

# **MINUTES OF ROANOKE CITY AUDIT COMMITTEE**

**JUNE 3, 2002**

## **1. CALL TO ORDER:**

The meeting of the Roanoke City Audit Committee was called to order at 11:00 a.m. on Monday, June 3, 2002, with Chairman, William White, Sr., presiding.

- **The roll was called by Mrs. Powers**

### **Audit Committee**

#### **Members Present:**

William White, Sr., Chairman  
Mayor Ralph K. Smith  
William H. Carder  
C. Nelson Harris  
W. Alvin Hudson  
Linda F. Wyatt

#### **Others Present:**

William Bestpitch, Council Member  
Alfred Dowe, Council Member Elect  
Drew Harmon, Municipal Auditor  
Darlene L. Burcham, City Manager  
William M. Hackworth, City Attorney  
Jesse A. Hall, Director of Finance  
George C. Snead, Jr., Assistant City Manager for Operations  
Rolanda Johnson, Asst. City Manager for Community Development  
Ann Shawver, Deputy Director of Finance  
Cindy Loar, Accounts Payable Supervisor  
Chris Slone, Public Information Officer  
Mike Tuck, Senior Auditor  
Pamela C. Mosdell, Senior Auditor  
Brian M. Garber, Auditor  
Evelyn W. Powers, Administrative Assistant  
Todd Jackson, Roanoke Times Reporter

## **2. INTERNAL AUDIT REPORTS:**

- A. Fleet Management - Parts
- B. Purchasing Cards
- C. Retirement

Mr. White ordered that the financial related audits be received and filed. There were no objections to the order. Mr. White recognized Mr. Harmon for comments.

Mr. Harmon briefed the Committee on the Fleet Management – Parts audit report. Mr. Carder asked what are we doing to make positive improvements. The City Manager reported that the report reflected problems with the prior manager. She reported that as soon as this manager resigned a new acting manager was hired. The current acting manager has a number of years experience in the fleet management area and that all of the problems that were addressed in the December audit report and the current audit report have been addressed and that significant changes have already been made. Mr. Carder asked if someone was going to continue some type of follow-up to make sure the recommendations are being taken care of. Mr. Harmon explained that all of the findings are recorded in a database and that the Committee would be briefed in October. Mr. Carder said that he thought there was some discussion regarding outsourcing some of the functions in the fleet area and where did this fit into the recommendations of the audit. Mr. White said that outsourcing was an issue for management and that he thought they were looking at a plan to report on all of the issues. Mr. Carder said that he did not want to wait a year to get an update on this area. The City Manager said that she would prepare a special report to address the day-to-day operations and provide this information in a quarterly report from management's perspective to report on things that are not audit findings. She said that when they fill the new Fleet Manager position all of these issues would be addressed with the new person. Mr. Carder said that type of regular reporting would be fine with him. Mr. Harris said that the report speaks for itself and that he felt the audit function is working well to stay on top of allegations and to follow up and give the Audit Committee guidance to make necessary decisions. Ms. Wyatt said that she agreed with Mr. Harris.

Mr. Harmon briefed the Committee on the Purchasing Cards audit report. Ms. Wyatt said that the report had good things in it, but she felt that if someone continually used the credit card to split purchases there should be consequences in place to deal with that person. She also said that if a purchase had to be split for a good reason that there needs to be written justification as to why the purchase was split. Mr. Hall said that a great deal of time had gone into the design and implementation of the purchasing card system. He said that the Finance department personnel do look very closely at the purchasing card statements and that they will continue to do so. Mr. Hall said that the purchasing card system has reduced purchase orders by 68% and the issuance of checks for payment by 14%. Overtime for accounts payable has also been reduced. Mr. Hall said that he will follow-up on all audit recommendations. The City Manager said that she would also bring these issues, as she does all audit related issues, to the Leadership Team meeting. She said that by bringing audit findings to the Leadership Team she is able to go beyond people who are on the distribution list to receive audit reports. Mr. Bestpitch asked if the City held continual training that referenced the purchasing card program employee agreement. He said that he felt people needed continued training to remind them about consequences if the purchasing card was used inappropriately. He said that people who were splitting purchases knew what they were doing and that they were trying to find a way to get around the system. He felt that when this continues to happen that management should take care of it immediately. Mr. Harmon briefed the Committee on the Retirement audit report. Mr. Bestpitch said that he had real concerns with this report because the pension money should be used

to pay for the retirement of city employees and not for parties. He said that if the Pension Board Chairman thought that the \$1,300 expenditure was an appropriate expense, then what would be an inappropriate expense. Mr. Bestpitch said that the former Director of Finance should have held himself to higher standards. Mr. Bestpitch said that he thinks the City should use more specific language in the City Code for expenditures that the Pension Board can and cannot approve without Council's approval. Mr. White asked Mr. Hall to have the Pension Board look at the language and give some flexibility, but tighten the controls to make sure expenditures are appropriately approved. Mr. White asked to receive a written report from the Pension Board Committee. Mr. White said that he sends a message to the six appointed officials that they are to be held to higher standards. Mr. Harris agreed with the comments made by Mr. Bestpitch and asked if there was any in-service training given to the Pension Board trustees on City policies. Mr. Hall said that there is no training on administrative matters, but there is on pension matters. Mr. Hall said that he would review the language and make sure it is tightened up. Mr. Hall said that at the time the Pension Board Chairman was questioned about the expense, the expense had already been approved by the prior Secretary/Treasurer of the Pension Board. Mr. Hall said that he felt if this type of expense had come before the Pension Board Chairman before hand that it may not have been approved to be paid from the Retirement account.

### **3. UNFINISHED BUSINESS:**

There was no unfinished business to come before the Committee.

### **4. NEW BUSINESS:**

- A. KPMG External Audit for year ending June 30, 2002
- B. Status Report – Roanoke City Public Schools
- C. Report of Peer Review on Municipal Auditing Department
- D. Management Assistance Audit – Solid Waste Management
- E. Request for 30 minute Audit Committee Meeting – June 17, 2002

Mr. Harmon briefed the Committee on the KPMG External Audit for the period ending June 30, 2002. Mr. Harmon referred to Mr. Hall to discuss the GASB 34 issues. Mr. Hall said that the GASB 34 issues were large enough that he has had two accountants working for the last six months. Mr. Hall said that GASB 34 is the largest change in accounting standards during his career. He said that he would keep the Council informed regarding the ramifications of GASB 34. There were no questions from the Committee.

Mr. Harmon briefed the Committee on the audits of the Roanoke City Public Schools. Mr. Harmon told the Committee that the reports of the school audit were on the department's website and that a copy of the minutes of the School Audit Committee meeting would be forwarded to them as the Board approved them.

Mr. Harmon briefed the Committee on the department's Peer Review audit. Mr. Harmon said that this review was the department's 4<sup>th</sup> peer review and that the department continued to be in full compliance with government auditing standards. He said that there were some management comments and that a copy of his response was attached. Ms. Wyatt complimented the department and said how much she appreciated the work of the audit department. Mr. Harmon said that the Peer Review Team had complimented the City's Audit Committee and their active involvement in the audit process.

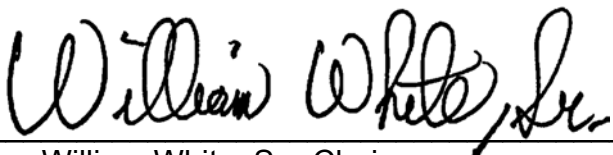
Mr. Harmon briefed the Committee on the Management Assistance Audit of the Solid Waste department. Mr. Harmon said that the department was helping Mr. Decker with cost accounting issues to be able to present more informative reports to the Council. There were no questions from the Committee.

Mr. Harmon asked to have a 30-minute Audit Committee meeting on June 17, 2002, to discuss audit department issues. The Committee agreed to have an Audit Committee meeting on June 17.

Ms. Wyatt thanked Mr. White for his continued years of dedicated service to the Audit Committee.

**5. ADJOURNMENT:**

There being no further business, the meeting was adjourned at 11:53 a.m.

A handwritten signature in black ink that reads "William White, Sr." The signature is written in a cursive, flowing style. The first name "William" is written with a large, looped 'W'. The last name "White" is written with a large, looped 'W' and a trailing 'e'. The suffix "Sr." is written in a smaller, more formal script at the end of the signature.

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William White, Sr., Chairman